

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 XMB-02

TRSE-00 OMB-01 SS-15 SP-02 NSC-05 AID-05 /070 W

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R 301229Z JUL 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7429

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

FAA BRUSSELS

AMCONGEN BOMBAY

AMCONGEN CALCUTTA

AMCONGEN MADRAS

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ROME FOR RCAA DWOR

DEPARTMENT PASS COMMERCE FOR R. COHEN, R. MYERS, P. HALE:

EXIMBANK FOR EXEC. VP BEIM; FAA FOR CARY AND CARMICHAEL

FROM RCAA DWOR

E.O. 11652: N/A

TAGS: EAIR, IN, BEXP, ETRD

SUBJECT: INDIAN AIRLINES FLEET REEQUIPMENT AND LINES OF DEVELOPMENT

REF: (A) DELHI 11152, (B) ROME 11561, (C) DELHI 9795

1. SUMMARY: RCAA DWOR AND EMBASSY ECONOMIC OFFICER COE, MET JULY 27 WITH INDIAN AIRLINES OFFICIAL ACTING MANAGING DIRECTOR A. H. MEHTA, FINANCE DIRECTOR KRIPAL CHAND, PLANNING MANAGER J. K. CHAUDHURI, AND COMMERCIAL DIRECTOR G. D. MATHUR TO DISCUSS AIRLINE'S  
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PRESENT FINANCIAL AND TRAFFIC STANCE, PLANS FOR EXPANDING AND

MODERNIZING FLEET, AND OTHER LINES OF DEVELOPMENT. AIRLINE HAS REGISTERED IMPRESSIVE INCREASES IN PROFITABILITY AND TRAFFIC AND HAS SHARPLY IMPROVED ON-TIME OPERATIONAL PERFORMANCE AND EMPLOYEE PRODUCTIVITY. CRITICAL BOARD MEETING TO DECIDE ON NEW TWINJET AIRCRAFT SCHEDULED FOR AUGUST 16 WITH COMPETITIVE OFFERS BY BOEING, BAC, AND FOKKER-VFW. AIRLINE APPEARS TO REQUIRE TENT TO TWENTY NEW TWINJETS, DEPENDENT UPON TYPE SELECTED, AND THREE ADDITIONAL WIDEBODIED AIRCRAFT BY 1980. END OF SUMMARY

2. FINANCIAL RESULTS: INDIAN AIRLINES EXPERIENCED A HIGHLY SUCCESSFUL FINANCIAL YEAR 1975-76 (APRIL 1, 1975 - MARCH 31, 1976) WITH A RECORD NET PROFIT OF \$8.8 MILLION (78 MILLION RUPEES), COMPARED TO \$1.14 MILLION (10.15 MILLION RUPEES) FOR THE PREVIOUS YEAR. HOLDING CONSIDERABLE SIGNIFICANCE FOR ANOTHER SUCCESSFUL FINANCIAL YEAR IS THE RECENTLY ANNOUNCED NET PROFIT OF \$3.0 MILLION (26.8 MILLION RUPEES) FOR FIRST QUARTER (APRIL 1 - JUNE 30, 1976 ) OF PRESENT FISCAL YEAR ENDING MARCH 31, 1977, REPRESENTING STRONG IMPROVEMENT OVER NET PROFIT \$184,000 (1.6 MILLION RUPEES) RECORDED FOR FIRST QUARTER PAST FISCAL YEAR.

3. TRAFFIC RESULTS: FOLLOWING QUARTERLY TRAFFIC, CAPACITY, LOAD FACTOR, ON-TIME PERFORMANCE AND EMPLOYEE PRODUCTIVITY DATA HIGHLIGHT AIRLINE'S RAPID TRAFFIC GROWTH, LOAD FACTOR IMPROVEMENT, AND INCREASED OPERATIONAL AND EMPLOYEE EFFICIENCY. HOWEVER, THE SHARP INCREASES IN LOAD FACTOR TO THE PRESENT LEVEL OF 70-72 0/0 POINTS UP BASIC INDIAN AIRLINES SHORTAGES IN AIRCRAFT CAPACITY, INDICATING SIGNIFICANT VOLUMES OF PROSPECTIVE PASSENGERS BEING TURNED AWAY. THE AIRLINE'S PRESENT LACK OF CAPABILITY TO TALLY MEET NEEDS OF TRAVELING PUBLIC RESULTS IN LOST REVENUE AND PROFITABILITY OPPORTUNITIES AND, IF CONTINUED OVER LONG-TERM, BASICALLY INCONSISTENT WITH PUBLIC INTEREST. HOWEVER, EARLY INTRODUCTION (LATE 1976) OF HIGH-CAPACITY, WIDEBODIED A-300B2 AIRBUSES AND FORTHCOMING REPLACEMENT OF OBSOLESCE, HIGH-UNIT OPERATING COST, FUEL-INEFFICIENT TURBOPROP EQUIPMENT BY NEW, LARGER TWINJETS (LATE 1977, EARLY 1978) WILL ENABLE THE INDIAN DOMESTIC AIR CARRIER TO MOVE EFFECTIVELY MATCH CAPACITY WITH TRAFFIC DEMAND AND FURTHER ENHANCE SYSTEM PROFITABILITY.

APRIL 1, 1976 APRIL 1, 1975 0/0  
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-JUNE 30, 1976 -JUNE 30, 1975 IMPROVEMENT

REVENUE TON-KILOMETERS FLOWN (MILLIONS)	66.286	57.777	PL 14.7 0/0
AVAILABLE TON-KILOMETERS PRODUCED (MILLIONS)	92.296	85.837	PL 7.5 0/0
SYSTEM PASSENGER/SEAT FACTOR (0/0)	70.3	63.7	PL 6.6 POINTS

SYSTEM LOAD FACTOR 71.8 67.7 PL 4.1 POINTS

(0/0)

TYPE LOAD FACTOR (0/0)

BOEING 737-2A8 71.6 66.2 PL 5.4 POINT

S

AEROSPATIALE 76.3 71.4 PL 4.9 POINTS

CARAVELLE

FOKKER-VFW F-27 58.7 62.1 - 3.4 POINTS

HS-748 72.9 65.9 PL 7.0 POINTS

ON-TIME PERFORMANCE 75.1 63.5 PL 11.6 POINTS

(0/9)

STAFF STRENGTH 14,869 15,143 - 1.8 0/0

STAFF PRODUCTIVITY 6,207 5.668 PL 9.5 0/0

(AVAILABLE TON-KILOMETERS PRODUCED PER EMPLOYEE

4. FLEET AND DEPLOYMENT: A. INDIAN AIRLINES PRESENT FLEET CONSISTS OF TWELVE 126-SEAT BOEING 737-2A8'S (SIX OF WHICH ARE ADVANCED WIDE-BODIED-LOOK INTERIOR VERSIONS), FIVE 89-SEAT AEROSPATIALE CARAVELLE 6'S, EIGHT 40-SEAT FOKKER-VFW F-27'S, FOURTEEN HINDUSTAN AERONAUTICS 44-SEAT HS-748'S, AND TWO 48-SEAT BAC VISCOUNT 700'S. THE 737-2A8 FLEET IS DEPLOYED ON SEVENTH DOMESTIC TRUNK (DELHI-BOMBAY-CALCUTTA-MADRAS), THIRTEEN INTERNATIONAL (KARACHI, KATHMANDU), AND NINETY-FIVE DOMESTIC REGIONAL ROUND-TRIP SERVICES WEEKLY AT AVERAGE DAILY UTILIZATION OF 7.5 HOURS PER AIRCRAFT.

B. THE CARAVELLE FLEET (TO BE REPLACED BY A-300B2'S IN 1977) IS DEPLOYED ON TWENTY EIGHT DOMESTIC TRUNK, THREE INTERNATIONAL (COWOMBO), AND FIFTY THREE DOMESTIC REGIONAL SERVICES WEEKLY AT AVERAGE DAILY UTILIZATION 7.5 HOURS PER AIRCRAFT.

C. THE F-27'S FLEET (TO BE REPLACED BY TWINJETS 1977 AND 1978) IS DEPLOYED ON EIGHTEEN INTERNATIONAL (Dacca, KATHMANDU, LIMITED OFFICIAL USE

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LAHORE) AND EIGHTY THREE DOMESTIC REGIONAL ROUNDTRIP SERVICES WEEKLY AT AVERAGE DAILY UTILIZATION 6.7 HOURS PER AIRCRAFT.

D. THE HS-748 FLEET IS DEPLOYED ON SEVEN INTERNATIONAL (COLOMBO, MALE) AND TWO HUNDRED DOMESTIC REGIONAL ROUNDTRIP SERVICES WEEKLY AT AVERAGE DAILY UTILIZATION 7.0 HOURS PER AIRCRAFT.

E. THE VISCOUNT 700 FLEET IS MINIMALLY DEPLOYED ON TWO REGIONAL ROUNDTRIP SERVICES WEEKLY CALCUTTA-PORTBLAIR (WITH REFUELING STOP RANGOON) AT AVERAGE DAILY UTILIZATION 1.6 HOURS.

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TRSE-00 OMB-01 SS-15 SP-02 NSC-05 AID-05 /070 W

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5. AIRCRAFT ON ORDER AND FLEET PLANNING:

A. THE AIRLINE PLACED ORDERS EARLY 1975 THREE 278-SEAT AIRBUS INDUSTRIE A-300B2'S (WITH AN ADDITIONAL THREE ON OPTION) FOR DELIVERIES OCTOBER 31, NOVEMBER 30, AND DECEMBER 31, 1976. THESE THREE HIGH-CAPACITY, WIDEBODIED AIRCRAFT WILL BE DEPLOYED ON HIGH-DENSITY ROUTES SERVING DELHI, MADRAS, CALCUTTA, BOMBAY, AND BANGALORE WITH 1978 DEPLOYMENT TO ALSO ENCOMPASS GAUHATI AND SRINAGAR), REPLACING 89-SEAT CARAVELLES, SHARPLY ENHANCING CAPACITY ON PRESENT TRAFFIC-SATURATED TRUNKLINE ROUTES, AND RELEASING URGENTLY REQUIRED 126-SEAT 737-2A8 CAPACITY FOR DEPLOYMENT ON ALMOST EQUALLY TRAFFIC SATURATED SECONDARY REGIONAL ROUTES PRESENTLY BEING INADEQUATELY SERVED BY 40-SEAT F-27'S AND 44-SEAT HS-748'S.

B. THE AIRLINE IS EMBARKED ON A FLEET REEQUIPMENT AND EXPANSION PROGRAM TO REPLACE THE EIGHT-AIRCRAFT F-27 FLEET (NINTH AIRCRAFT RECENTLY DESTROYED IN NON-FATAL LANDING ACCIDENT), THE TWO VISCOUNT 700'S, AND AN UNDERTERMINED PORTION OF THE FOURTEEN-AIR-

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CRAFT HS-748 FLEET WITH LARGER, MORE COST-EFFECTIVE TWINJETS.  
TO EVALUATE COMPETING TWINJET OFFERS FROM THE BOEING COMPANY  
COVERING ADVANCED 737-2A8'S, BRITISH AIRCRAFT CORPORATION COVER-  
ING F-28 MARK 4000'S, THE AIRLINE HAS APPOINTED AN AIRCRAFT  
SELECTION COMMITTEE. THIS COMMITTEE COMPOSED OF ACTING MANAGING  
DIRECTOR A. H. MEHTA, FINANCE DIRECTOR KRIPAL CHAND, ENGINEERING  
DIRECTOR K. N. ##

## A. M. KAPUR. THE COM-  
MITTEE IS PREPARING IRS RECOMMENDATIONS FOR THE AIRLINE'S  
NEXT BOARDING MEETING, SCHEDULED FOR AUGUST 16 BOMBAY FOR FINAL  
ACQUISITION DECISION. WE UNDERSTAND COMMITTEE'S TECHNICAL CHOICE  
IS BOEING ADVANCED 737-2A8 TWINJET, EQUIPPED WITH UPRATED P & W  
JT8D-17R ENGINES AND LOW-PRESSURE TIRES. HOWEVER, AIRLINE INDI-  
CATES BOTH BAC AND FOKKER-VFW FINANCING ##

## INTEREST, 10-YEAR REPAYMENT,  
90 0/0 COVER-  
AGE) AND, UNLESS U.S. FINANCING SUPPORT BEHALF BOEING CAN SUB-  
STANTIALLY MEET THESE TERMS, TECHNICAL CONSIDERATIONS WILL PROBABLY  
BE OVERRIDEN AND EITHER BAC 111-475'S OF F-28 MARK 4000 WILL BE  
ACQUIRED. AIRLINE'S TWINJET REQUIREMENT IS FOR EITHER TEN 126-  
SEAT BOEING ADVANCED 737-2A8'S OR TWENTY 84-SEAT BAC 111-475'S  
OR 80-SEAT F-28 MARK 4000'S FOR PHRASED ACQUISITION, 1977-1980.

C. PROBABLE ORDER EMANATING FROM AIRLINE'S FORTHCOMING  
BOARD MEETING WILL COVER INITIALLY INCREMENT OF THREE TO FIVE  
ADVANCED 737 2A8'S OR SIX TO TEN BAC 111-475'S OR F-28 MARK  
4000'S TO COVER FOLLOWING HIGH-DENSITY SECTORS PRESENTLY SERVED  
BY HS748'S OR VISCOUNT V-700'S, WHICH WILL IN TURN RELEASE  
HS 748 CAPACITY TO REPLACE F-27'S:

BOMBAY-BHAVNEGAR   PRESENTLY SERVED 14 ROUNDTrips  
                          WEEKLY BY HS-748'S  
BOMBAY-MANGALORE   PRESENTLY SERVED BY 7 ROUNDTrips  
                          WEEKLY BY HS-748'S

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BOMBAY-COCHIN    PRESENTLY SERVED 14 ROUNDTrips  
                          WEEKLY BY HS-748'S

CALCUTTA-PORTBLAIR   PRESENTLY SERVED 2 ROUNDTrips  
                          WEEKLY BY VISCOUNTS

ALSO, THE NEW AIRCRAFT WILL BE DEPLOYED ON THE FOLLOWING NEW SECTORS, NOT PRESENTLY SERVED.

LEH-SRINAGAR      LEH IS CRITICAL AIRPORT WITH FIELD  
ELEVATION 10,600 FEET, BUT RUNWAY  
LENGTH 11,000 FEET.

MADRAS-PORTBLAIR      NOT YET FIRM ROUTE SECTOR.

D. PRESENTLY BOMBAY-BHAVNEGAR, BOMBAY-BANGALORE, BOMBAY-COCHIN, CALCUTTA-PORTBLAIR ARE OPERATED UNPROFITABLY AT 90 0/0 LOAD FACTORS, CAUSING MANY POTENTIAL PASSENGERS TO BE TURNED AWAY. AIRLINE BELIEVES VIABLE LOAD FACTOR AND PROFITABILITY CAN BE ACHIEVED ON THESE SECTORS WITH THE 126-SEAT ADVANCED 737-2A8, PARTICULARLY IN LIGHT OF 1974-1975 BOMBAY-TRIVANDRUM SECTOR EXPERIENCE WHERE 737'S REPLACE HS-748'S WITH HIGHLY FAVORABLE RESULTS, BOTH IN PASSENGER VOLUME AND SECTOR PROFITABILITY. WHEN THE AIRFIELD OF AGARTALA IS IMPROVED, NEW TWINJETS WILL ALSO REPLACE F-27'S ON CALCUTTA-AGARTALA, PRESENTLY SERVED BY TWENTY-ONE ROUNDTrips WEEKLY.

6. BOEING OFFER TO INDIAN AIRLINES, FOR CONSIDERATION AT NEXT BOARD MEETING, COVERS THREE ADVANCED 737-2A8'S FOR DELIVERY OCTOBER, NOVEMBER, DECEMBER 1977 AND TWO ADVANCED 737-2A8C'S (CARGO/PASSENGER CONVERTIBLE) FOR DELIVERY EARLY 1978. TOTAL VALUE OF ORDER APPROXIMATELY \$55 MILLION INCLUDING SPARES.

7. PRESENT INDIAN AIRLINES FLEET PLAN ENVISAGES FOLLOWING AIRCRAFT IN SERVICE BY 1980:

SCENARIO A:    6 AIRBUS INDUSTRIE A-300B2  
22 BOEING 737-2A8

SCENARIO B:    6 AIRBUS INDUSTRIE A-300B2  
12 BOEING 737-2A8  
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20 BAC 111-475 OR F-28 MARK 4000.

8. INDIAN AIRLINES ACQUISITION DECISIONS MUST BE REVIEWED AND RATIFIED BY GOI MINISTRY OF FINANCE, MINISTRY OF PLANNING, MINISTRY OF CIVIL AVIATION AND PUBLIC INVESTMENT BOARD.  
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## Message Attributes

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**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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